

**REPORT OF THE AUDIT OF THE
LIVINGSTON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2012**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LIVINGSTON COUNTY FISCAL COURT

June 30, 2012

The Auditor of Public Accounts has completed the audit of the Livingston County Fiscal Court for fiscal year ended June 30, 2012.

We have issued unqualified opinions, based on our audit and the report of other auditors, on the governmental activities, discretely presented component unit, each major fund, and aggregate remaining fund information financial statements of Livingston County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Livingston County's major federal program: Community Development Block Grants/State's Program (CFDA #14.228)

Financial Condition:

The fiscal court had unrestricted net assets of \$7,871,890 in its governmental activities as of June 30, 2012, with total net assets of \$15,580,735. The fiscal court's discretely presented component units had net assets of \$72,455 as of June 30, 2012. The discretely presented component units had net cash and cash equivalents of \$131,186. The fiscal court had total debt principal as of June 30, 2012 of \$16,197,702 with \$601,417 due within the next year. The discretely presented component units had total debt principal as of June 30, 2012 of \$83,713 with \$27,260 due within the next year.

Report Comments:

- 2012-01 The Fiscal Court Should Maintain Proper Records For The County/Library Building Fund
- 2012-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Fund
- 2012-03 The Fiscal Court Should Implement Strong Internal Controls Over Cash, Bank Reconciliations, Revenues, Payroll, Capital Assets, And Financial Reporting
- 2012-04 The Fiscal Court Should Require Capital Assets Records Be Updated Regularly
- 2012-05 The Fiscal Court Overspent The Kentucky Land Grant Budget By \$650,933 And The Jail Fund Budget By \$5,233

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
LIVINGSTON COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
NOTES TO FINANCIAL STATEMENTS	25
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	45
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	48
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	54
BUDGETARY COMPARISON INFORMATION	57
NOTES TO OTHER INFORMATION	59
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	63
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Chris Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Livingston County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Livingston County Ambulance Service District, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors who report, thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Livingston County Service Ambulance District is based on the report of those auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Livingston County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Christopher Lasher, Livingston County Judge/Executive

Members of the Livingston County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livingston County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2013 on our consideration of Livingston County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2012-01 The Fiscal Court Should Maintain Proper Records For The County/Library Building Fund
- 2012-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Fund
- 2012-03 The Fiscal Court Should Implement Strong Internal Controls Over Cash, Bank Reconciliations, Revenues, Payroll, Capital Assets, And Financial Reporting
- 2012-04 The Fiscal Court Should Require Capital Assets Records Be Updated Regularly
- 2012-05 The Fiscal Court Overspent The Kentucky Land Grant Budget By \$650,933 And The Jail Fund Budget By \$5,233

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

February 22, 2013

LIVINGSTON COUNTY OFFICIALS

For The Year Ended June 30, 2012

Fiscal Court Members:

Christopher Lasher	County Judge/Executive
Terry Stringer	Magistrate
Brent Ferrell	Magistrate
Marvin Bufurd	Magistrate
Franklin Walker	Magistrate

Other Elected Officials:

Billy N. Riley	County Attorney
Benjamin Guill	Jailer
Sonya Williams	County Clerk
Debbie Knoth	Circuit Court Clerk
Bobby Davidson	Sheriff
Sue Ann Carver	Property Valuation Administrator
Andy Fox	Coroner

Appointed Personnel:

Kristine Quertermous	County Treasurer
Tracy Mitchell	Finance Officer
Kayla Curry	Occupational Tax Collector
Stephanie Smith	Human Resource Officer
Robert Tabor	Road Supervisor
Hershel Evans	911 Administrator

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

LIVINGSTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Primary Government	Component Unit
	Governmental	Livingston County
	Activities	Ambulance Service District
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,537,997	\$ 131,186
Accounts Receivable	106,417	
Total Current Assets	<u>4,644,414</u>	<u>131,186</u>
Noncurrent Assets:		
Accounts Receivable	4,406,285	
Capital Assets - Net of Accumulated Depreciation		
Construction In Progress	925,693	
Land and Land Improvements	3,747,567	
Buildings	13,407,400	
Vehicles and Equipment	1,411,069	27,982
Infrastructure	3,236,009	
Total Noncurrent Assets	<u>27,134,023</u>	<u>27,982</u>
Total Assets	<u>31,778,437</u>	<u>159,168</u>
LIABILITIES		
Current Liabilities:		
Note Payable		27,260
Bonds Payable	495,000	
Financing Obligations Payable	106,417	
Total Current Liabilities	<u>601,417</u>	<u>27,260</u>
Noncurrent Liabilities:		
Note Payable		59,453
Bonds Payable	11,190,000	
Financing Obligations Payable	4,406,285	
Total Noncurrent Liabilities	<u>15,596,285</u>	<u>59,453</u>
Total Liabilities	<u>16,197,702</u>	<u>86,713</u>
NET ASSETS		
Invested in Capital Assets,		
Net of Related Debt	6,530,036	27,982
Restricted For:		
General Government- Judicial Center	19,226	
Recreation and Culture	134,667	
Roads	807,001	
Debt Service	217,915	
Unrestricted	7,871,890	44,473
Total Net Assets	<u>\$ 15,580,735</u>	<u>\$ 72,455</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,490,083	\$ 118,666	\$ 1,927,639	\$
Protection to Persons and Property	1,664,950	4,929	94,849	
General Health and Sanitation	318,714		21,660	
Social Services	383,972			480,000
Recreation and Culture	107,094	40,566	33,699	786,607
Transportation Facilities and Services	35,799			
Roads	1,272,584		424,581	1,648,917
Interest On Long-Term Debt	514,805			
Capital Projects	20,040			
Total Primary Government	5,808,041	164,161	2,502,428	2,915,524
Component Unit:				
Livingston County Ambulance Service District	1,096,329	447,495	604,025	
Total Component Units	\$ 1,096,329	\$ 447,495	\$ 604,025	\$ 0

General Revenues:

Taxes:

Real Property Taxes

Franchises Taxes

Occupational Taxes

Net Profit Taxes

Wireless 911 Taxes

In Lieu of Tax

Other Taxes

Excess Fees

Reimbursements

Miscellaneous Revenues

Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Net (Expenses) Revenues		Component
Primary Government		Unit
Governmental		Livingston County
Activities	Totals	Ambulance
		Service District
\$ 556,222	\$ 556,222	\$
(1,565,172)	(1,565,172)	
(297,054)	(297,054)	
96,028	96,028	
753,778	753,778	
(35,799)	(35,799)	
800,914	800,914	
(514,805)	(514,805)	
(20,040)	(20,040)	
(225,928)	(225,928)	
		(44,809)
		(44,809)
580,690	580,690	
163,838	163,838	
921,865	921,865	
229,703	229,703	
124,529	124,529	
305,985	305,985	
239,444	239,444	
97,997	97,997	
308,523	308,523	
49,847	49,847	2,442
99,085	99,085	477
3,121,506	3,121,506	2,919
2,895,578	2,895,578	(41,890)
12,685,157	12,685,157	114,345
\$ 15,580,735	\$ 15,580,735	\$ 72,455

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	General Fund	Road Fund	Public Properties Corporation	County Building and Library Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 3,302,464	\$ 807,001	\$ 186,151	\$ 31,764
Total Assets	<u>3,302,464</u>	<u>807,001</u>	<u>186,151</u>	<u>31,764</u>
FUND BALANCES				
Restricted For:				
General Government- Judicial Center				
Recreation and Culture				
Roads		807,001		
Debt Service			186,151	31,764
Committed To:				
Recreation and Culture				
Assigned To:				
General Government- Sheriff	10,944			
Protection to Persons and Property				
Recreation and Culture				
Unassigned	<u>3,291,520</u>			
Total Fund Balances	<u>\$ 3,302,464</u>	<u>\$ 807,001</u>	<u>\$ 186,151</u>	<u>\$ 31,764</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2012
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 210,617</u>	<u>\$ 4,537,997</u>
<u>210,617</u>	<u>4,537,997</u>
19,226	19,226
134,667	134,667
	807,001
	217,915
	10,944
17,492	17,492
39,232	39,232
<u> </u>	<u>3,291,520</u>
<u>\$ 210,617</u>	<u>\$ 4,537,997</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 4,537,997
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds.	27,600,263
Accumulated Depreciation	(4,872,525)
Receivable Is Not Due And Collectible In The Current Period And, Therefore Is Not Reported In The Governmental Funds.	
Third Party Debt Receivables	4,512,702
Long- term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bonds and Financing Obligation Principal Payments	(601,417)
Due In More Than One Year - Bonds and Financing Obligation Principa Payments	(15,596,285)
Net Assets Of Governmental Activities	<u>\$15,580,735</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	General Fund	Road Fund	Public Properties Corporation	County Building and Library Bond Fund
REVENUES				
Taxes	\$ 2,114,952	\$	\$	\$
In Lieu Tax Payments	314,397			
Excess Fees	97,997			
Licenses and Permits	18,543			
Intergovernmental	2,191,466	1,583,984	655,306	63,525
Charges for Services	22,362	300		
Miscellaneous	292,235	80,122		
Interest	85,677	12,664		36
Total Revenues	<u>5,137,629</u>	<u>1,677,070</u>	<u>655,306</u>	<u>63,561</u>
EXPENDITURES				
General Government	1,024,941			
Protection to Persons and Property	905,064			
General Health and Sanitation	290,941	22,323		
Social Services	852,957			
Recreation and Culture	314,447			
Transportation Facilities and Services		35,799		
Roads	70,268	1,109,653		
Debt Service			653,306	341,499
Capital Projects	393,906			717,991
Administration	426,444	231,606	2,000	
Total Expenditures	<u>4,278,968</u>	<u>1,399,381</u>	<u>655,306</u>	<u>1,059,490</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>858,661</u>	<u>277,689</u>		<u>(995,929)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds				277,402
Transfers To Other Funds	(606,702)			
Total Other Financing Sources (Uses)	<u>(606,702)</u>			<u>277,402</u>
Net Change in Fund Balances	251,959	277,689		(718,527)
Fund Balances - Beginning (Restated)	3,050,505	529,312	186,151	750,291
Fund Balances - Ending	<u>\$ 3,302,464</u>	<u>\$ 807,001</u>	<u>\$ 186,151</u>	<u>\$ 31,764</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 145,117	\$ 2,260,069
	314,397
	97,997
	18,543
964,886	5,459,167
168	22,830
75,599	447,956
708	99,085
<u>1,186,478</u>	<u>8,720,044</u>
183,967	1,208,908
580,194	1,485,258
	313,264
	852,957
	314,447
	35,799
	1,179,921
	994,805
774,934	1,886,831
<u>155,212</u>	<u>815,262</u>
<u>1,694,307</u>	<u>9,087,452</u>
<u>(507,829)</u>	<u>(367,408)</u>
329,300	606,702
	<u>(606,702)</u>
<u>329,300</u>	
(178,529)	(367,408)
389,146	4,905,405
<u>\$ 210,617</u>	<u>\$ 4,537,997</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2012

LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Net Change In Fund Balances - Total Governmental Funds	\$ (367,408)
Amounts Reported For Governmental Activities In The Statement Of	
Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures. However, In The	
Statement Of Activities The Cost Of Those Assets Is Allocated Over Their	
Estimated Useful Lives And Reported As Depreciation Expense.	
Book Value - Disposed Assets	(8,812)
Capital Outlay	3,694,494
Depreciation Expense	(902,696)
Payment on Receivables Provide Current Financial Resources to Governmental	
Funds, While at the Government-wide Level, A Reduction of the Receivable	
Occurs. This Transaction Has no Effect on Net Assets.	
Receivable Receipts	(103,083)
The Issuance Of Long Term Debt Provides Current Financial Resources	
To Governmental Funds While Repayment Consumes The Current	
Financial Resources. These Transactions Have No Effect On Net Assets.	
Financing Obligation Principal Payments	103,083
Bond Principal Payments	480,000
	<hr/>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,895,578</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	25
NOTE 2.	DEPOSITS.....	31
NOTE 3.	RECEIVABLES	32
NOTE 4.	INTERFUND TRANSFERS	33
NOTE 5.	CAPITAL ASSETS	34
NOTE 6.	LONG-TERM DEBT	35
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	39
NOTE 8.	DEFERRED COMPENSATION.....	40
NOTE 9.	INSURANCE.....	41
NOTE 10.	CHANGE IN ACCOUNTING PRINCIPLE.....	41
NOTE 11.	PRIOR PERIOD ADJUSTMENTS	41

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Livingston County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Livingston County Public Justice Center Corporation

The Livingston County Public Justice Center Corporation was created exclusively to issue bonds to finance construction of a new judicial center in Livingston County, Kentucky. The Livingston County Fiscal Court is essentially the same governing body as the Livingston County Public Justice Center Corporation and therefore has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Justice Center Corporation.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the data for the Livingston County Ambulance Service District (Ambulance District). This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the fiscal court’s primary government

The Livingston County Judge Executive appoints all five members of the Ambulance District’s board of directors. Tax Rates shall be set by the Livingston County Fiscal Court (Fiscal Court). The Fiscal Court provides funding to finance the affairs of the Ambulance District. The Ambulance District board of directors shall not borrow money without the approval of the Fiscal Court. The Ambulance District was run by the Fiscal Court until June 30, 2007. Control of the daily operations was turned over to the Ambulance District Board of Directors on July 1, 2007. Exclusion of this entity as a component unit of Livingston County would cause the county’s financial statements to be misleading or incomplete. The financial information for the Ambulance District is presented discretely within the Fiscal Court’s financial statements.

Audited financial statements for the Livingston County Ambulance Service District, a discretely presented component unit, may be requested by contacting the Livingston County Ambulance Service District P.O Box 70, Smithland, KY 42081.

C. Livingston County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Livingston County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Livingston County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for the activities of the Public Properties Corporation, a blended component unit of the County. The Public Properties Corporation issued debt to construct a new judicial facility, to be leased to the Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

County Building and Library Bond Fund - The purpose of this fund is to account for the construction of a facility for the purpose of housing county offices and a county library. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Jail Fund, 911 Fund, Kentucky Land Grant Fund, Tourism Fund, and Judicial Center Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, 911 Fund, Kentucky Land Grant Fund, Tourism Fund, and Judicial Center Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Capital Projects Fund:

The County/Library Building Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities and purchase of capital assets.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Presentation of Component Units

The financial statements present the following major discretely presented component unit: Livingston County Ambulance Service District. This component unit is presented in separate columns in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 12,500	10-60
Land Improvements	\$ 7,500	10-60
Buildings and Building Improvements	\$ 7,500	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 10,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the Livingston County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Livingston County Public Properties Corporation (blended component unit), County Building/Library Fund, and the Livingston County Ambulance Service District (discretely presented component unit) are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Interfund Transactions

The Livingston County Fiscal Court has the following type of interfund transactions.

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 5. Note that at the entity-wide level, the interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once.

K. Related Organizations and Jointly Governed Organization

Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Livingston County Fiscal Court: Ledbetter Water and Sanitation District and Senior Citizens Center.

Jointly Governed Organizations

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, is a jointly governed organization. Based upon these criteria, the following is considered a jointly governed organization of the Livingston County Fiscal Court: Crittenden Livingston Water District.

Note 2. Deposits

The primary government and the discretely presented component unit, Livingston County Ambulance Service District, maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2012, all deposits of the primary government and the discretely presented component unit, Livingston County Ambulance Service District, were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Receivables

A. Ledbetter Water District

On July 1, 2005, Livingston County entered into a lease agreement for the Ledbetter Water District for the funding a sewer project. The County financed the sewer project with the Kentucky Association of Counties Leasing Trust Program (KACoLT). The Water District pays directly to KACoLT the debt service requirements. As of June 30, 2012 the County's receivable was \$1,184,285.

B. Livingston County Hospital and Health Care Services, Inc.

In May 2006, Livingston County entered into a sublease agreement with the Livingston County Hospital and Health Care Services, Inc. for the funding of renovations to the hospital. The County financed the renovations through a lease with the Kentucky Association of Counties Leasing Trust Program (KACoLT). The Livingston County Hospital and Health Care Services, Inc. pays directly to KACoLT the debt service requirements. As of June 30, 2012 the County's receivable was \$788,000.

C. Livingston County Ambulance District

In November 2009, Livingston County entered into a sublease agreement with the Livingston County Ambulance District for the funding of an ambulance. The County financed the ambulance through a lease with the Kentucky Association of Counties Leasing Trust Program (KACoLT). Livingston County Ambulance District pays directly to KACoLT the debt service requirements. As of June 30, 2012 the County's receivable was \$50,000.

D. Crittenden Livingston Water District

On December 16, 2010, Livingston County Fiscal Court entered a sub-lease agreement with the Crittenden Livingston Water District for long-term financing to replace short-term note which was used to run approximately 90 miles of waterline in Crittenden and Livingston counties. The County re-financed the note with the Kentucky Association of Counties Leasing Trust Program (KACoLT). Crittenden Livingston Water District pays directly to KACoLT the debt service requirements. As of June 30, 2012 the County's receivable was \$2,490,417.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 3. Receivables (Continued)

E. Changes in Receivables

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Ledbetter Sewer District	\$ 1,184,285	\$	\$	\$ 1,184,285	\$ 25,000
Livingston County Hospital/Healthcare	824,000		36,000	788,000	36,000
Livingston County Ambulance District	70,000		20,000	50,000	20,000
Crittenden Livingston Water District	2,537,500		47,083	2,490,417	25,417
	<u>\$ 4,615,785</u>	<u>\$ 0</u>	<u>\$ 103,083</u>	<u>\$ 4,512,702</u>	<u>\$ 106,417</u>

Note 4. Interfund Transfers

The table below shows the interfund operating transfers for fiscal year 2012.

	General Fund	Total Transfers In
County Building/Library Fund	\$ 277,402	\$ 277,402
Non-Major	329,300	329,300
Total Transfers Out	<u>\$ 606,702</u>	<u>\$ 606,702</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ 3,508,440	\$ 1,688,355	\$ (4,271,102)	\$ 925,693
Land and Land Improvements	2,567,530	1,180,037		3,747,567
Total Capital Assets Not Being Depreciated	6,075,970	2,868,392	(4,271,102)	4,673,260
Capital Assets, Being Depreciated:				
Buildings	10,166,048	4,271,102		14,437,150
Vehicles and Equipment	3,122,941	417,480	(56,625)	3,483,796
Infrastructure	4,597,435	408,622		5,006,057
Total Capital Assets Being Depreciated	17,886,424	5,097,204	(56,625)	22,927,003
Less Accumulated Depreciation For:				
Buildings	(798,776)	(230,974)		(1,029,750)
Vehicles and Equipment	(1,630,584)	(442,143)		(2,072,727)
Infrastructure	(1,588,282)	(229,579)	47,813	(1,770,048)
Total Accumulated Depreciation	(4,017,642)	(902,696)	47,813	(4,872,525)
Total Capital Assets, Being Depreciated, Net	13,868,782	4,194,508	(8,812)	18,054,478
Governmental Activities Capital Assets, Net	<u>\$ 19,944,752</u>	<u>\$ 7,062,900</u>	<u>\$ (4,279,914)</u>	<u>\$ 22,727,738</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 224,168
Protection to Persons and Property	130,521
General Health and Sanitation	5,450
Social Services	11,015
Recreation and Culture	4,223
Roads, Including Depreciation of General Infrastructure Assets	<u>527,319</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 902,696</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Capital Assets (Continued)

Capital asset activity for the primary government's discretely presented component unit for the year ended June 30, 2012 was as follows:

	Discretely Presented Component Unit Livingston County Ambulance Service District			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 42,214	\$	\$	42,214
Total Capital Assets Being Depreciated	42,214			42,214
Less Accumulated Depreciation For:				
Machinery and Equipment	(9,488)	(4,744)		(14,232)
Total Accumulated Depreciation	(9,488)	(4,744)		(14,232)
Total Capital Assets, Being Depreciated, Net	32,726	(4,744)		27,982
Capital Assets, Net	\$ 32,726	\$ (4,744)	\$ 0	\$ 27,982

Livingston County Ambulance Service District	\$ 4,744
--	----------

Total Depreciation Expense -Discretely Presented Component Unit	\$ 4,744
---	----------

Note 6. Long-term Debt

A. Public Justice Center Corporation First Mortgage Revenue Bonds

The Livingston County Public Justice Center Corporation issued First Mortgage Revenue Bonds, Series 2007 dated July 11, 2007 for \$8,925,000 to be used for the construction of a Judicial Center. Interest is payable semi-annually for 20 years and varies from 4.0 percent to 4.125 percent. The Livingston County Public Justice Center Corporation has leased the building to the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), and AOC is providing the debt service payments as prescribed in the aforementioned lease. The principal balance as of June 30, 2012 was \$8,000,000. Future principal and interest requirements are as follows:

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Long-term Debt (Continued)

A. Public Justice Center Corporation First Mortgage Revenue Bonds (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 335,000	\$ 320,206
2014	350,000	306,506
2015	360,000	292,306
2016	375,000	277,606
2017	390,000	262,306
2018-2022	2,215,000	1,054,750
2023-2027	2,720,000	548,625
2028-2029	1,255,000	52,284
Totals	<u>\$ 8,000,000</u>	<u>\$ 3,114,589</u>

B. General Obligation Bonds, Taxable Series 2010 - Build America Bonds

The Livingston County Public Justice Center Corporation issued General Obligation Bonds, Series 2010 dated May 11, 2010 for \$4,005,000 to be used for the construction of a County/Library Center. Interest is payable semi-annually for 20 years and varies from 4.0 percent to 4.125 percent. The facility will house all county offices and the Livingston County Library. The principal balance as of June 30, 2012 was \$3,685,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 160,000	\$ 178,779
2014	165,000	175,099
2015	165,000	170,479
2016	170,000	165,116
2017	175,000	158,996
2018-2022	955,000	673,311
2023-2027	1,120,000	413,108
2028-2030	775,000	91,315
Totals	<u>\$ 3,685,000</u>	<u>\$ 2,026,203</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Long-term Debt (Continued)

C. Ledbetter Sewer System

On November 9, 2007 the County entered into a refinancing of a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the financing of a sewer system project for the Ledbetter Water District, Livingston County, Kentucky. The original lease was dated July 1, 2005 for \$3,300,000. During 2007, the Ledbetter Water District paid a lump sum payment of \$2,020,715. The principal amount of the refinanced lease is \$1,184,285 with repayment to be made over a thirty year period starting in November 2007. The Ledbetter Water District has pledge their revenues for repayment of the note and are repaying the note to KACoLT. As of June 30, 2012 the balance on the note was \$1,184,285.

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 25,000	\$ 49,848
2014	25,000	48,798
2015	25,000	47,724
2016	30,000	46,651
2017	30,000	45,367
2018-2022	175,000	206,324
2023-2027	220,000	165,354
2028-2032	285,000	113,225
2033-2037	369,285	45,302
Totals	<u>\$ 1,184,285</u>	<u>\$ 768,593</u>

D. Hospital and Health Care Services Project

In May 2006, Livingston County entered into a financing agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) to finance the renovation of the Livingston Hospital and Health Care Services facility. The principal of the lease is \$1,000,000 with repayment to be made over a twenty year period starting in June 2006. Livingston County has entered into an agreement with Livingston Hospital and Health Care Services, Inc for repayment of the note with KACoLT and has filed a lien on the property until note is retired. Livingston Hospital and Health Care Services, Inc is repaying the note and as of June 30, 2012 the balance was \$788,000.

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 36,000	\$ 31,821
2014	36,000	30,358
2015	43,000	28,810
2016	48,000	26,937
2017	48,000	24,994
2018-2022	284,000	92,696
2023-2026	293,000	26,332
Totals	<u>\$ 788,000</u>	<u>\$ 261,948</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Long-term Debt (Continued)

E. Ambulance

On November 30, 2009, Livingston County Fiscal Court entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance in the amount of \$100,000. The principal balance is to be paid annually at an interest rate of 1.85% over the term of the five years. The maturity date of the obligation is July 20, 2014. The Ambulance District is repaying the note and as of June 30, 2012 the balance was \$50,000

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 20,000	\$ 1,721
2014	20,000	916
2015	10,000	54
Totals	<u>\$ 50,000</u>	<u>\$ 2,691</u>

F. Crittenden/Livingston Water District

On December 16, 2010, Livingston County Fiscal Court entered into a financing obligation with Kentucky Association of Counties Leasing Trust (KACoLT) for long-term financing to replace short-term note which was used to run approximately 90 miles of waterline in Crittenden and Livingston counties. The principal of the lease is \$2,560,000 with repayment to be made over a twenty nine year period starting in February 2011. Livingston County has entered into an agreement with the Crittenden Livingston Water District for repayment of the note with KACoLT and has filed a lien on the property until note is retired. Crittenden Livingston Water District is repaying the note and as of June 30, 2012 the balance was \$2,490,417.

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 25,417	\$ 125,037
2014	50,000	122,788
2015	50,000	120,537
2016	55,000	118,288
2017	55,000	115,813
2018-2022	330,000	538,112
2023-2027	410,000	456,700
2028-2032	525,000	346,699
2033-2037	670,000	195,713
2038-2039	320,000	26,363
Totals	<u>\$ 2,490,417</u>	<u>\$ 2,166,050</u>

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,845,000	\$	\$ 160,000	\$ 3,685,000	\$ 160,000
Revenue Bonds	8,320,000		320,000	8,000,000	335,000
Financing Obligations	4,615,785		103,083	4,512,702	106,417
Governmental Activities					
Long-term Liabilities	<u>\$ 16,780,785</u>	<u>\$</u>	<u>\$ 583,083</u>	<u>\$ 16,197,702</u>	<u>\$ 601,417</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.76 percent.

The county's contribution for FY 2010 was \$329,153, FY 2011 was \$273,240 and FY 2012 was \$302,800.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 7. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

The Livingston County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

LIVINGSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2012, Livingston County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Change In Accounting Principle

The county implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet-Governmental Funds.

Note 11. Prior Period Adjustments

	Governmental Activities	
Net Assets Ending Balance Prior Year		\$ 12,678,892
General Fund Prior Year Voided Checks	\$ 304	
911 Fund Prior Year Voided Checks	5,960	
Rounding - Capital Assets	1	6,265
		<hr/>
Net Assets Ending Balance Prior Year Restated		<u>\$ 12,685,157</u>
 Ending Fund Balance Prior Year		 \$ 4,899,141
General Fund Prior Year Voided Checks	\$ 304	
911 Fund Prior Year Voided Checks	5,960	6,264
		<hr/>
Ending Fund Balance Prior Year Restated		<u>\$ 4,905,405</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**LIVINGSTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information**

June 30, 2012

LIVINGSTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

June 30, 2012

	Jail Fund	911 Fund	Kentucky Land Grant Fund	Tourism Fund	Judicial Center Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 5,131	\$ 12,360	\$ 134,667	\$ 39,233	\$ 19,226	\$ 210,617
Total Assets	<u>5,131</u>	<u>12,360</u>	<u>134,667</u>	<u>39,233</u>	<u>19,226</u>	<u>210,617</u>
FUND BALANCES						
Restricted For:						
General Government- Judicial Center					19,226	19,226
Recreation and Culture			134,667			134,667
Assigned To:						
Protection to Persons and Property	5,131	12,360				17,491
Recreation and Culture				39,233		39,233
Total Fund Balances	<u>\$ 5,131</u>	<u>\$ 12,360</u>	<u>\$ 134,667</u>	<u>\$ 39,233</u>	<u>\$ 19,226</u>	<u>\$ 210,617</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information

For The Year Ended June 30, 2012

	Jail Fund	911 Fund	Kentucky Land Grant Fund	Tourism Fund
REVENUES				
Taxes	\$	\$ 124,530	\$	\$ 20,587
Intergovernmental	79,780		786,607	1,400
Charges for Services		168		
Miscellaneous	1,487	72,553		
Interest				708
Total Revenues	<u>81,267</u>	<u>197,251</u>	<u>786,607</u>	<u>22,695</u>
EXPENDITURES				
General Government				30,447
Protection to Persons and Property	194,426	385,768		
Recreation and Culture				
Capital Projects			774,934	
Administration	31,710	79,666		
Total Expenditures	<u>226,136</u>	<u>465,434</u>	<u>774,934</u>	<u>30,447</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(144,869)</u>	<u>(268,183)</u>	<u>11,673</u>	<u>(7,752)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	150,000	125,000		
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>125,000</u>		
Net Change in Fund Balances	5,131	(143,183)	11,673	(7,752)
Fund Balances - Beginning (Restated)		155,543	122,994	46,985
Fund Balances - Ending	<u>\$ 5,131</u>	<u>\$ 12,360</u>	<u>\$ 134,667</u>	<u>\$ 39,233</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Supplementary Information
For The Year Ended June 30, 2012
(Continued)

Judicial Center Fund	Total Non-Major Governmental Funds
\$	\$ 145,117
97,099	964,886
	168
1,559	75,599
	708
<u>98,658</u>	<u>1,186,478</u>
153,520	183,967
	580,194
	774,934
<u>43,836</u>	<u>155,212</u>
<u>197,356</u>	<u>1,694,307</u>
<u>(98,698)</u>	<u>(507,829)</u>
<u>54,300</u>	<u>329,300</u>
<u>54,300</u>	<u>329,300</u>
(44,398)	(178,529)
<u>63,624</u>	<u>389,146</u>
<u>\$ 19,226</u>	<u>\$ 210,617</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

LIVINGSTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LIVINGSTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2012

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs:</i>			
97.036	Disaster Grants-Public Assistance	FEMA DR # 1976	208,679
97.042	Emergency Management Performance Grants	Not available	<u>15,719</u>
Total U.S. Department of Homeland Security			<u><u>224,398</u></u>
<u>Department of Housing and Urban Development</u>			
<i>Passed-Through State Department for Local Government:</i>			
14.228	Community Development Block Grants/State's Program	09-034	** <u>480,000</u>
Total U.S. Department of Housing and Urban Development			<u><u>480,000</u></u>
<u>Institute of Museum and Library Services</u>			
<i>Direct Grant</i>			
45.312	Congressionally Directed Grant		190,000
<i>Passed-Through State Education & Workforce Development Cabinet</i>			
45.310	LST Library Outreach Support Grant	FY12043E03	<u>4,806</u>
Total U.S. Institute of Museum and Library Services			<u><u>194,806</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 899,204</u></u>

**Tested as Major Program.

LIVINGSTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2012

Note 1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Livingston County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

LIVINGSTON COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012

LIVINGSTON COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 792,100	\$ 848,073	\$ 920,019	\$ 71,946
In Lieu Tax Payments	333,000	333,000	314,397	(18,603)
Excess Fees	21,000	25,473	97,997	72,524
Licenses and Permits	17,000	17,433	18,543	1,110
Intergovernmental Revenue	616,300	1,266,117	1,445,148	179,031
Charges for Services	27,000	27,000	21,817	(5,183)
Miscellaneous	2,250	85,106	111,943	26,837
Interest	45,000	45,759	55,468	9,709
Total Revenues	1,853,650	2,647,961	2,985,332	337,371
EXPENDITURES				
General Government	476,392	509,923	461,749	48,174
Protection to Persons and Property	15,600	325,267	325,064	203
General Health and Sanitation	11,000	36,323	35,288	1,035
Social Services	706,000	844,492	785,781	58,711
Recreation and Culture	17,000	226,968	214,642	12,326
Debt Service	140,000	1,296		1,296
Capital Projects	75,000	294,654	284,674	9,980
Administration	727,339	695,565	334,483	361,082
Total Expenditures	2,168,331	2,934,488	2,441,681	492,807
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(314,681)	(286,527)	543,651	830,178
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	200,000	200,000	200,000	
Transfers To Other Funds	(685,319)	(824,024)	(723,005)	101,019
Total Other Financing Sources (Uses)	(485,319)	(624,024)	(523,005)	101,019
Net Changes in Fund Balance	(800,000)	(910,551)	20,646	931,197
Fund Balance - Beginning	800,000	910,551	911,205	654
Fund Balance - Ending	\$ 0	\$ 0	\$ 931,851	\$ 931,851

LIVINGSTON COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,049,707	\$ 1,506,791	\$ 1,583,984	\$ 77,193
Charges for Services	500	500	300	(200)
Miscellaneous	22,250	74,465	80,122	5,657
Interest	12,000	12,000	12,664	664
Total Revenues	<u>1,084,457</u>	<u>1,593,756</u>	<u>1,677,070</u>	<u>83,314</u>
EXPENDITURES				
General Health and Sanitation	23,500	27,192	22,323	4,869
Transportation Facilities and Services		35,799	35,799	
Roads	957,457	1,241,510	1,109,653	131,857
Administration	603,500	818,567	231,606	586,961
Total Expenditures	<u>1,584,457</u>	<u>2,123,068</u>	<u>1,399,381</u>	<u>723,687</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(500,000)</u>	<u>(529,312)</u>	<u>277,689</u>	<u>807,001</u>
Net Changes in Fund Balance	(500,000)	(529,312)	277,689	807,001
Fund Balance - Beginning	<u>500,000</u>	<u>529,312</u>	<u>529,312</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 807,001</u>	<u>\$ 807,001</u>

LIVINGSTON COUNTY
NOTES TO OTHER INFORMATION

June 30, 2012

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation To The Statement Of Revenues, Expenditures And Changes In Fund Balances – Governmental Funds - Modified Cash Basis

General Fund

Beginning Fund Balance - Budgetary Basis	\$ 911,205
LGEA Fund - Beginning Fund Balance	381,697
Occupational Tax Fund - Beginning Fund Balance	984,418
Special Reserve Fund - Beginning Fund Balance	<u>773,185</u>
Beginning Fund Balance - Modified Cash Basis	<u><u>\$ 3,050,505</u></u>
 Total Revenues - Budgetary Basis	 \$ 2,985,332
LGEA Fund - Revenues	804,171
Sheriff Department Fund - Revenues	172,930
Occupational Tax Fund - Revenues	1,164,513
Special Reserve Fund - Revenues	<u>10,683</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 5,137,629</u></u>
 Total Expenditures - Budgetary Basis	 \$ 2,441,681
LGEA Fund - Budgeted Expenditures	599,948
Sheriff Department Fund - Budgeted Expenditures	416,986
Occupational Tax Fund - Budgeted Expenditures	<u>820,353</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 4,278,968</u></u>

LIVINGSTON COUNTY
NOTES TO OTHER INFORMATION
June 30, 2012
(Continued)

Note 2. Reconciliation To The Statement Of Revenues, Expenditures And Changes In Fund Balances – Governmental Funds - Modified Cash Basis (Continued)

General Fund (Continued)

Total Other Financing Sources/Uses - Budgetary Basis	\$ (523,005)
Interfund Transfers- LGEA Fund to PPC Fund	(138,697)
Interfund Transfers- General/LGEA Fund in to Sheriff Fund	<u>55,000</u>
Total Revenues - Modified Cash Basis	<u>\$ (606,702)</u>
Ending Fund Balance - Budgetary Basis	\$ 931,851
LGEA Fund - Ending Fund Balance	247,223
Sheriff Department Fund - Ending Fund Balance	10,944
Occupational Tax Fund - Ending Fund Balance	1,128,577
Special Reserve Fund - Ending Fund Balance	<u>983,869</u>
Ending Fund Balance - Modified Cash Basis	<u>\$ 3,302,464</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Christopher Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 22, 2013. Livingston County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Livingston County Ambulance District, as described in our report on Livingston County, Kentucky financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the Livingston County Fiscal Court is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Livingston County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Livingston County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-01, 2012-02, and 2012-03 to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Livingston County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 2012-01, 2012-02, 2012-04, and 2012-05.

The Livingston County Judge/Executive's to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

February 22, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Chris Lasher, Livingston County Judge/Executive
Members of the Livingston County Fiscal Court

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Livingston County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Livingston County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Livingston County's management. Our responsibility is to express an opinion on Livingston County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Livingston County's compliance with those requirements.

In our opinion, Livingston County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Livingston County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Livingston County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Livingston County's internal control over compliance.



Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

February 22, 2013

LIVINGSTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2012

**LIVINGSTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Livingston County.
2. Three significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. The reported deficiencies are also considered to be material weaknesses.
3. Four instances of noncompliance material to the financial statements of Livingston County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Livingston County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Livingston County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grants/State's Program (CFDA #14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Livingston County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

FINANCIAL STATEMENT FINDINGS

2012-01 The Fiscal Court Should Maintain Proper Records For The County/Library Building Fund

The Fiscal Court should maintain proper accounting records for the County/Library Building Fund. Since the Fiscal Court is financially accountable and legally obligated for the construction of the County/Library facility, it is responsible for recording the receipts and expenditures as they occur. The County should receive the bank statements for the Building/Library Building Fund, maintain a receipts and disbursements ledger, and include in the county's financial statement. We recommend the County maintain proper records for the County/Library Fund in the future.

County Judge/Executive Chris Lasher's Response: No response.

2012-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Fund

The Fiscal Court should maintain proper accounting records for the Public Properties Corporation-Debt Service Fund - (PPC). Since the Fiscal Court is financially accountable and legally obligated for the debt of the PPC, it is reported as a blended component unit of the Fiscal Court. The County should receive the bank statements for the PPC, maintain a receipts and disbursements ledger, and prepare a financial statement. We recommend the County maintain proper records for the PPC in the future.

County Judge/Executive Chris Lasher's Response: No response.

LIVINGSTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2012-03 The Fiscal Court Should Implement Strong Internal Controls Over Cash, Bank Reconciliations, Revenues, Payroll, Capital Assets, And Financial Reporting

During the evaluation of internal controls, we noted several significant areas that did not have segregation of duties or documented compensating controls. The treasurer prepared bank reconciliations, prepared deposits, made deposits, and performed all ledger postings for cash and revenues. Additionally payroll journal entries, sub-ledger postings, payroll account reconciliations, and W-2's are prepared by the treasurer. The treasurer also maintained capital asset listings, but additions and deletions were not reviewed or verified by anyone.

Strong internal controls are necessary to ensure accurate financial reporting as well as protect assets from misappropriation. All the aforementioned duties should be segregated when possible. When duties cannot be segregated then compensating controls should be implemented. Examples of compensating controls include, but are not limited to documented reviews of bank reconciliations, ledger postings, capital asset ledger updates, and financial statement preparation. We recommend the Fiscal Court segregate duties and implement strong compensating controls when duties cannot be segregated.

County Judge/Executive Chris Lasher's Response: No response.

2012-04 The Fiscal Court Should Require Capital Assets Records Be Updated Regularly

During testing of capital assets and infrastructure, we noted the fiscal court's capital assets records were incomplete as to current year: work in process, depreciation amounts, accumulated depreciation amounts, and current year disposals. We recommend the county establish a detailed inventory system. This system should include a detailed description of the asset, an inventory control number or serial number, the date acquired, location, date destroyed or sold as surplus, and a brief description of why the asset was discarded. The inventory of county assets should be updated throughout the year as new assets are purchased. It should also be updated as to annual depreciation and accumulated depreciation amounts and current year disposals. We also recommend the fiscal court conduct a physical inspection of assets at the end of each year to make comparisons to the list of inventoried assets. This inventory should be maintained at historical cost.

County Judge/Executive Chris Lasher's Response: No response.

LIVINGSTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2012-05 The Fiscal Court Overspent The Kentucky Land Grant Budget By \$650,933 And The Jail Fund Budget By \$5,233

During comparison of budget to actual expenditures, we noted that the Kentucky Land Grant Fund budget was overspent by \$650,933 and the Jail Fund budget was overspent \$5,233. The Fiscal Court received a grant for land in the amount of \$786,607 from the Kentucky Heritage Land Conservation Foundation. The funds were received in late June 2012. The fiscal court failed to obtain a budget amendment or transfer available budget from other funds in order to not overspend the Kentucky Land Grant Fund budget. The Fiscal Court also failed to get a budget amendment or transfer available budget in order to not overspend the Jail Fund Budget. KRS 68.300 states "Expenditures in excess of budget fund void and illegal." We recommend the Fiscal Court spend only amounts equal or less than approved budget.

County Judge/Executive Chris Lasher's Response: Expense was approved by Court. At the end of June we received payment and only had 3 days (or less) to make payment by grant rules and requirement of selling party. We now know we can do an emergency amendment to cover this issue.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

Federal Award Finding:

2011-04 The Livingston County Fiscal Court Overcharged FEMA \$643 For Equipment Charges Due To A Description Coding Error

The County has not corrected.

THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

LIVINGSTON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2012**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LIVINGSTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

The Livingston County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to be "C. R. R.", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to be "H. Quenterman", written over a horizontal line.

County Treasurer

